

Commercial Property, Land and Development - Performance Management Indicators (PMI) Report

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Purpose of the Report

1. To provide the Council with a robust process for measuring the performance of its property portfolio in order to inform strategic decision making and to drive improvement over time.
2. To devise a comprehensive set of Performance Management Indicators (hereafter referred to as PMI's) that can be applied across the Council's whole portfolio. This was a recommendation of the approved SSDC Commercial Strategy which was brought before the District Executive in August 2017.
3. To agree the parameters of the PMI process including timescales for monitoring and reporting PMI outcomes to the District Executive.

Forward Plan

4. This report did not appear on the District Executive Forward Plan; however reporting is required as part of the Commercial Strategy which was approved by the District Executive in August 2017.

Public Interest

5. This report is in the public interest because it outlines a process by which the Council will be able to monitor the efficiency and performance of the properties it owns or leases over time. By doing this the Council can make more efficient use of its services, assets and finances in order to reduce costs and generate income and this is an important part of delivering its agreed Commercial Strategy.

Recommendations

6. That the District Executive agrees:
 - a. To implement the Performance Management Indicator (PMI) monitoring framework as outlined in this report as the basis for measuring the performance of the Council's property assets and informing future Council decisions;
 - b. Over the next twelve months to undertake further work to create a reliable set of baseline figures upon which the new Performance Management Indicators (PMI's) will be predicated;
 - c. To report the PMI's quarterly via SSDC's quarterly performance reporting process.

Background

7. The approved South Somerset District Council Property Strategy identifies a requirement for the performance of its property portfolio to be measured to inform decision making and drive improvement over time.
8. By establishing a comprehensive set of PMI's, against which properties are regularly monitored and scored, the Council will be able to assess the relative performance of assets within each property type and category within the portfolio.
9. It is suggested that the results of the PMI assessment exercise are reported to the District Executive quarterly with SSDC's Performance Reporting report.

Property Management Indicators Assessment: what it is and how it works

10. It is important for performance measurement to be readily achievable and meaningful, and to inform action. The indicative measures identified are targeted at highlighting both overall poor performance and specific areas of poor performance so that further detailed investigation can be prioritised where improvement will make the most difference.
11. As for any measure of performance, the initial set of PMI's should be kept under review to ensure that they are driving performance, and as part of the quarterly reporting process should be to assess the extent to which they are performing a useful function, and revised to improve their value if required.
12. The full set of PMI's is set out in the following table, along with a summary of how each one operates.

PMI1a	Measure of Operational and Community Property These are properties used for the delivery of direct or indirect Council services.	This measures and compares the Opportunity Cost of the asset by area. The Opportunity Cost is the amount of capital tied up in the asset, and can be based on its current Asset Value as used for accounting purposes.
PMI1b	Measure of Operational and Community Property Measure of investment need per M2/hectare/space (adjusted as above)	This measure looks at what needs to be spent on the property going forward, so a high figure above the average indicates a significant expense compared to other properties within the portfolio.
PMI1c	Measure of Operational and Community Property Measure of revenue opportunity cost per M2/ha/space.	This looks at the market rental that could be secured, if the property were let, against the current income, to identify any hidden cost in terms of revenue foregone, so that this hidden cost can be compared between assets.
PMI1d	Measure of Operational and Community Property Measure of running cost per M2/ha/space.	This provides an indication of the efficiency of the building from an operational point of view. If a building displays high running costs, but is otherwise effective, then this can inform investment decisions to seek to improve its overall efficiency, such as investment in better windows, new boilers etc.

Together PMI's 1 a-d provide an overview of the financial performance of the operational and community asset portfolios, with poor performers identified against each measure. This will enable those performing poorly across all measures to be identified, and for an informed view to be taken where performance is only poor, say, against one of the 4 indicators.

PMI1e	Measure of Operational and Community Property Measure of occupancy of operational and community property.	This aims to look at whether the property is a suitable size for its current use, and to identify property that is underutilised. To develop a comprehensive baseline will require resources to undertake an assessment of use appropriate to the individual sub-categories of property within the wider operational and community portfolios. This will then enable measurement and comparison to take place.
PMI2a	Measure of investment property Net revenue as a return on investment.	This looks at the % return on investment secured from a property held primarily for investment purposes, and aligns performance with the criteria applied for acquisition and investment.
PMI2b	Measure of investment property Change in capital value over previous year.	This looks at the capital value of the investment year on year against market conditions to see if this is going up or down. The baseline asset values and purchase prices are known, but the assessment cannot be made against the baseline until the next asset valuation is carried out.
PMI3a	Measure of strategically held property Years held, and anticipated time until strategic objectives are achieved	Strategic property is held for a purpose, usually associated with enabling regeneration or wider policy objectives. If nothing is happening, its benefit is not being delivered, therefore the time to achieving the benefit is a reasonable measure of performance. Clearly this may be influenced by wider matters, but will help to highlight areas of activity so interventions can be made, or strategies reconsidered to secure the desired outcomes.
PMI3b	Measure of strategically held property Net holding cost per annum per M2/ha/space.	This can be assessed by dividing the annual revenue costs of the asset by the M2/ha/space as appropriate. This identifies those strategic properties which are costing the most to continue to hold on a comparative basis and coupled with the timescale for delivery of objectives will inform which strategic properties should be prioritised or reconsidered to improve financial efficiency.

Conclusions

- There is some further baseline work to be done to enable the proposed suite of performance management indicators to be refined and to provide a comprehensive tool for performance measurement of the estate as a whole.

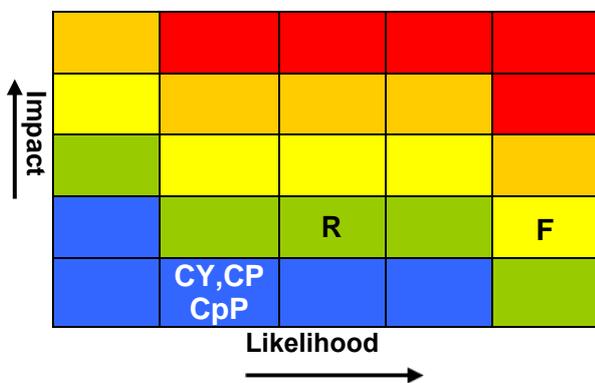
14. There is however enough basic information available to assess an initial baseline position and initial overview of performance for the majority of measures for the Operational and Community portfolios, particularly car parking, and for the Investment portfolio.
15. The more in-depth review of the Council's primary office portfolio has assessed relative performance to a greater level of detail, and is now being further refined to explore in more detail the main options for the future of the Council's Area and Head Quarters accommodation.

Financial Implications

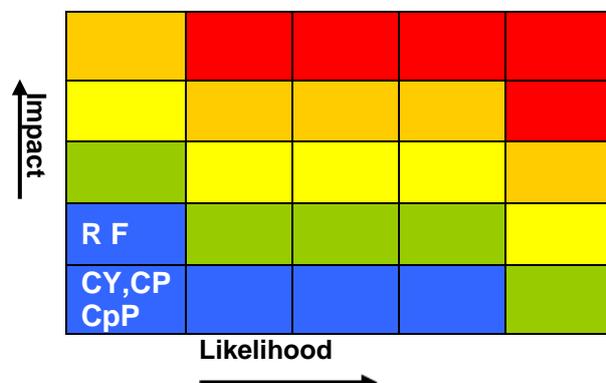
16. External resources are likely to be required to support the gathering of accurate, up to date information for the baseline exercise e.g. valuation and building surveying/QS support. This cost will be met under the approved Commercial Strategy budget.

Risk Matrix

Risk Profile before officer recommendations



Risk Profile after officer recommendations



Key

Categories	Colours (for further detail please refer to Risk management strategy)
R = Reputation	Red = High impact and high probability
CpP = Corporate Plan Priorities	Orange = Major impact and major probability
CP = Community Priorities	Yellow = Moderate impact and moderate probability
CY = Capacity	Green = Minor impact and minor probability
F = Financial	Blue = Insignificant impact and insignificant probability

Council Plan Implications

Our Focus - Making a difference where it counts

Economy – work with businesses and work with assets to grow our economy

High quality cost effective services – actively manage assets and resources to ensure best financial or community return

Carbon Emissions and Climate Change Implications

Not applicable

Equality and Diversity Implications

There are no direct equality and diversity implications resulting from this report.

Privacy Impact Assessment

There are no adverse personal data implications to this report.

Background Papers

Commercial Strategy 2017-2021
